



NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

MEDIA ADVISORY

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INVESTORS UPDATED ON TIMETABLE FOR EVENTS LEADING TO BOND SALE

SACRAMENTO – On June 22, the State Treasurer’s Office, the Department of Finance and the Department of Water Resources (DWR) held a conference call with potential investors about the DWR’s Power Supply Revenue Bond program. A preliminary schedule for events leading up to bond issuance was presented in the investors’ information packet. Attached is a follow-up memo to investors containing adjustments to the timetable to facilitate the sale of bonds in the projected time frame.

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915 CAPITOL MALL, ROOM 110, SACRAMENTO, CA 95814 . (916) 653-2995 . FAX (916) 653-3125

www.treasurer.ca.gov

M E M O R A N D U M

Date: July 2, 2001

To: Investors and Other Interested Parties

From: Philip Angelides, State Treasurer
Tim Gage, Director, Department of Finance
Tom Hannigan, Director, Department of Water Resources

Subject: State of California Department of Water Resources (DWR) Power Supply Revenue Bonds -- Revised Preliminary Timetable for Bond Issuance

As you may recall from our conference call on June 22, 2001, regarding DWR's upcoming Power Supply Revenue Bonds, we outlined a series of events leading to the marketing and sale of the bonds this fall. Among these were certain actions to be taken by the California Public Utilities Commission (CPUC) by mid-July.

Over the last few days, the Governor's Office, DWR, Department of Finance, State Treasurer's Office, and CPUC have agreed to a new timetable proposed by the Administration for these actions that will take advantage of recent legislation, adopted in the special legislative session, allowing an expedited resolution of any administrative review and judicial appeals of relevant CPUC actions. Because our next normal conference call is not scheduled until late July, we want to share this new information with you now.

Under the revised timetable, the five CPUC actions required to complete the financing will be scheduled for mid-August, immediately after the expedited appeal and review provisions take effect on August 13, 2001. These actions include approval of the following:

- Servicing Agreements and Servicing Orders (providing for each utility to act as billing and collection agent for DWR)
- Rate Agreement between the CPUC and the DWR (setting forth procedures for meeting DWR's revenue requirement)
- Rate Order (providing for recovery of DWR's revenue requirement in rates)
- San Diego Gas & Electric Rate Adjustment
- Suspension of Retail Choice

Under the provisions of law that take effect on August 13, 2001, any request to the CPUC for a rehearing of a CPUC decision facilitating the issuance of DWR's Power Supply Revenue Bonds must be filed and reconsidered by the CPUC on an expedited basis (e.g., the period to file for a rehearing is shortened from 30 to 10 days, and the CPUC is required to act within 20 days of the filing). In addition, the only judicial review of a CPUC decision is through a petition directly to the California Supreme Court (within 30 days of the CPUC order). No lower court proceedings are authorized or required.

By re-scheduling these key CPUC actions to occur following the effective date of the new law, the State is better able to resolve in the most expeditious manner any challenges which might be filed. The revised schedule also will permit the CPUC to publish its draft decisions well in advance of the scheduled actions, thus providing all interested parties with ample opportunity to comment.

The goal of the revised schedule remains the same as before – to market and sell bonds in the September-October timeframe.

We appreciate your continued interest in these bonds, and look forward to talking with you again later this month.